

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-24 INT-08 COME-00 TRSE-00 STR-08

GSA-02 CIAE-00 INR-11 NSAE-00 RSC-01 AID-20 /095 R

DRAFTED BY ARA/ECP:CWREYNOLDS:TR

APPROVED BY ARA/BR:RJBALLANTYNE

ARA/BR:JSLATTERY

EB/ISM:JMAIERS

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R 012203Z OCT 74

FM SECSTATE WASHDC

TO AMCONSUL RIO DE JANEIRO

INFO AMEMBASSY BRASILIA

AMCONSUL SALVADOR

AMCONSUL SAO PAULO

UNCLAS STATE 216322

E.O. 11652:N/A

TAGS:EMIN, ETRD, BR

SUBJECT:QUARTZ EXPORTS

REF: RIO 3583

1. DEPARTMENT HAS HAD AN URGENT INQUIRY FROM MR. M.W. BASS, VICE PRESIDENT OF BRUSH WELLMAN CORP. OF CLEVELAND CONCERNING CURRENT HALT TO BRAZILIAN EXPORTS OF QUARTZ CRYSTALS. THE FIRM'S SUBSIDIARY, SAWYER RESEARCH, MAKES CULTURED QUARTZ CRYSTALS USING THE SECOND GRADE LASCA FOR WHICH BRAZIL IS THE ONLY SOURCE. BASS HAS ASKED FOR ASSISTANCE FROM THE DEPARTMENT IN DETERMINING BRAZILIAN PLANS FOR THE FUTURE LEVEL OF EXPORT DUTIES AND QUANTITATIVE LIMITATIONS, IF ANY, ON EXPORTS OF LASCA. HE WILL BE IN WASHINGTON TOMORROW MORNING (WEDNESDAY, OCTOBER 2) AND HAS ASKED THE DEPARTMENT TO ATTEMPT TO PROVIDE ADDITIONAL INFORMATION BEYOND THAT CONTAINED IN RIO'S EXCELLENT REPORTING CABLE CITED. WOULD APPRECIATE POST'S EFFORT TO PROVIDE THAT SERVICE AS SOON AS POSSIBLE.

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2. BASS HAS PROVIDED ADDITIONAL BACKGROUND WHICH MAY BE

HELPFUL. BRAZIL IS THE DOMINANT SUPPLIER OF ELECTRONIC GRADE QUARTZ CRYSTALS. LASCA, AN INFERIOR QUARTZ FORM NOT DIRECTLY USEABLE IN ELECTRONIC APPLICATIONS, IS THE RAW MATERIAL FOR SYNTHETICALLY FORMED CRYSTALS WHICH COMPLETE WITH THE NATURAL CRYSTALS. IT'S GRADED INTO THREE TYPES. GRADE 1 HAS BEEN SELLING AT 60-70 CENT PER POUND C.I.F. IN THE U.S., GRADE 2 AT 25-30 CENT AND GRADE 3 FOR LESS THAN 25 CENT. ELECTRONIC GRADE QUARTZ CRYSTALS ARE IN THE U.S. STRATEGIC STOCKPILES; LASCA IS NOT.

3. ACCORDING TO BASS'S INFORMATION OBTAINED FROM U.S. TRADERS, THE PROBLEM PROBABLY ORIGINATED IN THE HIGH VALUE ELECTRONIC GRADE CRYSTALS BEING EXPORTED AS LASCA, WITH THE CONSEQUENT LOSS IN GOB EXPORT DUTY REVENUE. THE PERSON(S) MAKING THE GRADE DETERMINATION MAY HAVE BEEN PROFITING IN THE PROCESS. BUT BASS'S INFORMATION IS THAT THE GOB MAY BE PLANNING TO IMPOSE A DUTY OF \$3.50 PER KILOGRAM NOW AND TO RAISE THAT TO \$7/KG. IN 1975 WITH A LIMIT OF 600 TONS OF CRYSTALS OF ALL TYPES ON WHAT MAY BE EXPORTED DURING THE REMAINDER OF THIS YEAR. THE NEW COST LEVELS WOULD PROBABLY PUT THE SYNTHETIC CRYSTALS PRODUCERS OUT OF BUSINESS. THE LIMIT ON SUPPLY WOULD BE FAR BELOW CURRENT REQUIREMENTS.

4. THE DEPARTMENT WOULD APPRECIATE A CHECK BY THE MISSION ON HOW GOB INTENDS TO TREAT FUTURE LASCA EXPORTS, BOTH IN TERMS OF DUTY LEVELS TO BE APPLIED AND QUANTITATIVE LIMITS AT EACH GRAD LEVEL IF ANY. IT WOULD BE HELPFUL TO KNOW MORE DEFINITELY, IF POSSIBLE, WHAT RELATIVE WEIGHT IS BEING GIVEN TO DERIVING SIMPLY AN INCREASE IN REVENUE BY CORRECTING ERRONEOUS GRADING PRACTICES AND RAISING DUTIES, AS OPPOSED TO STRUCTURING THE EXPORT COSTS TO MAKE FOREIGN PROCESSING OF CRYSTALS FROM THE LASCA PROHIBITIVE IN SUPPORT OF A DOMESTIC PROCESSING INDUSTRY. THE REFTTEL SUGGESTS BOTH POSSIBILITIES; ANY REFINEMENT OR FURTHER INFORMATION WOULD BE APPRECIATED.

5. GSA COMMENTS ON REFTTEL STATEMENTS CONCERNING U.S. STOCKS AND PRICES, REQUESTED PARA 8 REFTTEL, WILL BE SENT WITHIN NEXT FEW DAYS. INGERSOLL  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UARTZ EXPORTS  
**TAGS:** EMIN, ETRD, BR  
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